ODUSD - AR
ACQUISITION REFORM FOCUS GROUP
PERFORMANCE BASED SERVICE CONTRACTING
(DEPOT & INSTALLATION)
MAY 13, 1997
VERSION ONE REPORT

I. Requirements Definition

1. Timely Acquisition Planning

- Key to whole process {Installation}
- Inaccurate and incomplete historical data
  Must have workload data to get to a fixed-price contract. Otherwise the contract bears too much risk to both the government and contractor.
- It takes time to do, but is absolutely necessary for the government to prepare the IGE (estimate) and budget; and it is absolutely necessary for a contractor to come up with reasonable bids/offers.
- It obviously should occur after function/task identification since workload has to be identified with each task.
- Workload can take the form of whatever it takes to convey task, frequency, and needed resources to accomplish the task. Typical workload is how many times did the task occur in a year, was it seasonal, what are the known work impediments (e.g., access to secure areas). Workload can also take the form of an inventory of things to be services/maintained/repaired. And it should include known changes due to increased inventory, mission changes, etc.

- You can identify workload data for any installation support services. {Installation}
- Emphasis on training
- The following suggestion was offered to me by Dave Muzio, one of the original OFPP pam 4 authors, about 10 years ago. I have thought about it, and he is right:

> The best, quickest payback solution would be to take the management analysts out of the resource management organization (the system does not allow them to be productive there anyway), reassign them to the technical activities, and train them to be performance contract spec writers. Here's your PBSC army.
>
> Concurrent with this, assemble a "dream team" of people who know how to write and have demonstrated success in developing exceptional service contracts to train this "army" through a variety of means, including on-site training at larger areas, through teleconferences, etc.
>
> Because this dream team would have to be composed of people who are already writing performance service specs--they also have important full-time jobs. The solution would be to temporarily assign (a short-term assignment of months or whatever) these people to the dream team--in a manner that they would be able to go back to their home jobs at intervals or when the training thrust passed. If there were a need for boost in training, these people could be re-called into another period of temporary service.

It has been mandatory for all government service contracts to be performance oriented since the early 1980's. I have talked with people from three DOD branches, and outside government organizations, and they are not getting it by reading the OFPP documents.

If the Administration/OSD is serious about making performance service contracting happen, they will have to take this type of radical step to train (replace the though processes) of people who are writing contract specs in the field. Writing performance based service contracts is not difficult, but people have not been able to see over the vertical learning curve, and need some basic and practical instruction. When they get it, a light bulb goes off and they are amazed at how "possible" the task is after all. {Installation}

- Failure to keep existing contract current (e.g., Living document) {Installation}
- Use contractor ideas/recommendations (e.g., Issue draft solicitations) {Installation}
- Increased use of integrated process teams (IPT) {Installation}
- Now the contracting personnel, technical personnel, and budget personnel are located in three separate stovepipe organizations. They have three different missions, contracting to make a clean buy, technical to provide the customer service, and budget to count pennies. Therefore, the system drives us to spend an inordinate amount of (wasted) time working at cross-purposes. The solution would be to co-locate the contracting, technical, and budget personnel in teams--where all three areas are pulling together in the same direction. This is exacerbated--in fact made crucial--by the new

"Market Research" requirements that have sprung from procurement reform legislation. Right now, the technical people have to be intimately familiar with the market before they develop a PWS. Now the Cont Spec is also expected to get familiar with the market. This is a duplication of effort in a time of doing more with less. {Installation}

2. Inability To Identify Tasks And Perform Job Analysis

- Most people can not identify the functions, sub functions, and tasks that they need to contract for. This is the first step, and critical because contract case law has determined if this is not done correctly, then the government cannot enforce the measurement tools in the contract--namely the PRS.

- Most specs that I have reviewed have been cut & paste projects, or brain dumps, both methods resulting in a poor spec--causing a reduction in the number of serious bidders/offerors, high prices, poor service, and unhappy customers. People need to be trained in the job identification and analysis phase, specifically adding in relative training from the contract specialist and contract law disciplines.

- People need to understand the level of detail to go to the the PRS. The first thing that a lawyer will ask in reviewing claims before the ASBCA is "How did you identify the task level of the PRS." If this was not done at what I call the "lowest independent task level" then the government lawyer will stop and settle the case. {Installation}

- Consider using a "Systems Approach" to requirements definition to ensure a comprehensive performance requirement is written. {Depot}

- The job analysis moves from identifying tasks at the lowest independent level, to identifying the labor, equipment, and material resources required to accomplish those tasks, the reporting associated with the tasks, certifications, automated reporting, regulatory environment, etc., to fill the squares in the matrix established in the first step. {Installation}

- Specify out-put {Installation}

3. Contract Philosophy:

- Government provided QA Plan? {Installation}

- Contractor provided QA Plan? {Installation}

- Full and open competition vs. set aside {Installation}

- Will resulting contract include incentives or only disincentives?

  Both are important tools, especially in these times of not having any spare time. The bid schedule is an often-overlooked tool that should be used on every contract, to provide a positive work incentive (contractors like ways to get paid) structured to motivate the contractor to provide excellent performance, e.g., Cost-per-copy CLIN on copier services. The PRS is probably the best tool for incentive on a fixed-price contract--and it fits a variety of types of contracts and almost all installation services. Other incentives can be implemented without adding to the cost of the contract, e.g., Partial payment on performance, balance on completion of successful warranty period. Then, the last incentive we use (because of the austere times) are incentive fees,

however these are also added to fixed-price contracts. The largest incentive to hold down costs are fixed-price competitive contracts. {Installation}

- Will contract include GFE, GFM, etc.? {Installation}

  There is a real need to train contractors to establish true quality control. We have lost half of our contract administration/inspection staff during the past 6 years, while we have increased the contracts to be inspected. On those contracts where we received contractor QC performance that is performed by trained QC personnel, who are autonomous from the project, and reporting directly to the government and the contractor's top (corporate) management, then only on the those contracts, are we able to perform all the QA required within our available personnel resources. {Installation}

- Consider using "best industry practices" when defining both the type of contract and developing the requirements statement. {Depot}

II. Quantifiable Performance Standards

- The Group Systems software failed to capture the participant ideas and comments for Quantifiable Performance Standards. (See comments captured by Reporter in final report)

III. Quality Assurance Plan

1. Define Contractor Recordkeeping Responsibilities

2. Define Contractor Quality Control Methods Or Requirements

- Government should not define contractor quality control methods or requirements. Contractor is solely responsible for their own QC program. Government defines performance requirements and develops their own quality assurance program to ensure contractor's adherence to their QC program. {Installation}

- Is QA plan developed by government or contractor? {Installation}

3. Define Measurable Performance Standards

4. Define Government Sampling Plan

- Define duties of government QA representatives {Installation}

- Identify surveillance techniques {Installation}

- Identify key actions and dates {Installation}

- Surveil only significant performance requirements {Installation}

5. To The Extent Practicable, Build Quality-In Vs Inspecting Quality-In

6. Incorporate New ISO 9000 Requirements, As Applicable.

- Although ISO 9000 registration is a time-consuming and costly process which ultimately the customer will pay for, the long-term benefits will probably outweigh the initial implementation costs {Installation}

7. Major Policy Issue: PBSC Concentrates On Results/Outcomes, But ISO 9000 Focuses On Certification Of Processes. How Can ISO Be Incorporated Into PBSC Contract Requirements And Still Meet The Intent Of Outcome Based Products/Services?

8. See Related Comments Submitted In Category II, Performance Standards, Above.

IV. Incentives

1. Incentives

- Award fee {Installation}
- Percentage of savings from more efficient operation {Installation}
- Favorable past performance data {Installation}
- Share in savings from value engineering change proposals {Installation}
- Exercise contract option(s) {Installation}
- Incentive fee {Installation}

2. Disincentives

- Table of deductions {Installation}
- Redo work without compensation {Installation}
- Negotiated deductions {Installation}
- Cure notice {Installation}
- Not exercise contract option(s) {Installation}
- Default contractor {Installation}
- Government prepares interim and final past performance evaluation {Installation}

3. Ensure Government Compliance With Their Incentive Plan (E.G., Awar d Fee Board Requirements, Etc.)

- Contract admin {Installation}

4. Consider Use Mid-Term Incentive Evaluations And Provisional Incentive Fee Billings/Payments. { Award Fee}

5. Do Cost-Benefit Analysis To Determine The Structuring Of The Incentives, I.E., How Many, What Scope, And Whether It Should Apply To Only Certain Aspects Of The Outcome/Product/Service.

- Determine whether use of incentives should be used and enhance the performance of the contractor. {Depot}
- Better define performance requirements that are to be incentivized (e.g., Limit to the extent necessary to ensure significant requirements are exceeded) {Installation}
- Consider more use of award fee incentives in fixed-price performance based service contracts {Installation}
- When incentives are instituted use both positive and negative type incentives. {Depot}

V. Evaluation Criteria

1. Past Performance

- Data on performance of similiar or same functions on prior contracts {Installation}
- Evaluations prepared on prior efforts that identify strengths and problems in technical and management performance {Installation}
- Past performance is not necessarily the only indicator of future performance. Past performance must be combined with proposed management on-site management team, corporate support and resources prior to making an award decision. {Installation}
- Technical and management capability {Installation}

2. Operation Plan

- Understanding of mission, policy, and procedures {Installation}
- Cost realism {Installation}

3. Proposed QA Plan

- Proposed "QA" plan should read "QC" plan. {Installation}

4. Staffing Plan

- Ensure all resources identified in staffing plan have been adequately priced (e.g., Necessary for cost realism purposes). {Installation}
- Cost comparison of in-house and contract performance {Installation}
- Key personnel {Installation}

5. Resources, E.G. Corporate Support, Inventory, Use Owned Vs. Leased Equipment

- Government-owned equipment and facilities needed or will contractor furnish? {Installation}

6. Start Up And Transition Plan

- Does contractor have the workforce to perform tasks or must workforce be recruited and trained? {Installation}

- How long will the startup or transition period be? {Installation}

7. Mechanism To Report Potential Problems/Opportunities

8. Hotline Procedures; How Do We Move Up The Food Chain To Solve A Problem

- Evaluate the extent of the authority of the on-site management. {installation}

9. Consideration Of Innovative Approaches To Performing The Requirement

10 Does The Offeror Have The Capacity Or Abi lity To Meet The Capacity Requirements Of The Work Requirement?

11. To The Extent Practicable, Ensure That Evaluation Factors For Award Bear A Relationship To The Performance Based Measurement Standards Set Forth In The Performance Work Statement.

12. One Constraint Indicated By A Procurement Office Is That PBSC Contracts Should Not Specify Any Key Personnel In The Solicitation. But When Complex Work Is Requirred Such As Buying, Testing And Stocking Of Flight Qualified Parts, Technical Expertise Is Essential. Is This A Policy Issue Needing Resolution?

13. Besides Technical Capability, You Should Require Offerors To Demonstrate Their Technical Approach For Performing The Work To Include Use Of Case Studies Or Sample Problem Solutions.

14. Require Offerors To Put Into Their Proposals Suggested Performance Standards And Metrics.

VI. Savings

1. Contract Dollars To Perform Identical Level Of Effort

- Bundle or unbundle requirements on base operating contract {Installation}
- Single-source versus competitive procurement (example 8a) {Installation}
- OMB Circular A-76 Supplement handbook should be used as basis for calculating savings on commercial activities contracts.
- Participant comments that cannot get "true" costs with the handbook.
- Cost saving = FTE, response time, administrative, {Installation}

2. Fewer Government FTE's To Perform The Work

- Fewer support resources {Installation}
- Savings from development of most efficient organization {Installation}
- Savings from cost comparison of public versus private performance of commercial activity {Installation}
- Depending on how you develop the metrics may be more labor intensive for the government to monitor {Installation}

3. Benefit Attributed To Performance Based Contracting May Be Difficult To Quantify (I.E., Better Response, Improved Performance, Future Cost Avoidance, Etc.)

- Caution: do not credit to PBSC cost savings/costs avoidance due to a decreased work requirements that would have accrued to any type of contract, less frequency.

- Was anticipated savings not realized on function converted from in-house to contract performance because of cost growth, new requirements, bad PWS?
- Avoid use of contrived cost models that favor attributing cost savings/cost avoidances to PBSC.
- Measure total savings/costs avoidance v. Incremental savings/costs avoidance.
- Bottom line: savings to be incurred can only be realized by selecting the right contractor for the job.
- Is the government operation more efficient . Buses more ontime, personnel more responsive to tenants. {Installation}

4. Need Tracking System To Determine Actual Savings Realized During Contract.

- Government should consider that a certain amount of cost growth stems from the operation of law (e.g., Wage increases due to service contract act, etc.) {Installation}

5. Government Needs To Constantly Remind Themselves That Their Requirements Should Be Written Based On Their Minimum Needs, Not What Would Be "Nice To Have".

6. Caution: Do Not Credit To PBSC Cost Savings/Costs Avoidance Due To A Decreased Work Requirements That Would Have Accrued To Any Type Of Contract, Less Frequency.

7. Avoid Use Of Contrived Cost Models That Favor Attributing Cost Savings/Cost Avoidances To PBSC.

8. Measure Total Savings/Costs Avoidance V. Incremental Savings/Costs Avoidance. (Short Term Vs. Long Term)

9. Was Anticipated Savings Not Realized On Function Converted From In-House To Contract Performance Because Of Cost Growth, New Requirements, Bad PWS?

10. Bottom Line: Savings To Be Incurred Can Only Be Realized By Selecting The Right Contractor For The Job.

VII. Impediments

1. Inability To Reprogram Dollars To Pay For The Contract

- Budget constraints {Installation}

2. Reluctance To Change

- True PBSC may require a change in culture by both the government and contractor. {Installation}
- Can't see the need to develop a PBSC/SOW
- What is the value added? {Installation}
- Lack of good examples/benchmarks of where PBSC is meeting technical and customer expectations, and cost savings (not for the lack of good examples, but make accessible via internet) {Installation}

3. Inability To Describe/Define Requirement

- Reluctance to define requirement or total lack of awareness of what the requirement is. Difficult to establish performance based requirement when customer does not always operate in a performance based environment. {Installation}
- Lack of communications about PBSC techniques/approaches between government and contractor {Depot} {Installation}
- Failure to allocate time and resources to develop a PBSC {Depot} {Installation}
- Lack of records, historical data, resources, policies/procedures {Installation}

4. Lack Of Cohesiveness Within Installation On PBSC; Shop/Turf Issues, Expectations, Fear Of Failure, Etc.

- Job protection {Installation}

5. Lack Of Trust Between Government And Contractor

- Aggresive "partnering" program after contract award will help alleviate this perceived impediment. {Installation}

6. Government And Industry Within All Management And Employee Levels.

7. Requirements Are Not Fully Known Before Contract Award

8. Regulations That Forbid Full Implementaion Of A PBSC

- Davis-Bacon if construction over $2000
- FAR (terms and conditions) {Installation}
- MAACOM now implementing things that the FAR removed {Installation}

VIII. Liability

1. Unknown Environmental Issues

- The government's and contractor's liability should be determined and specified by appropriate clause(s) in the contract solicitation and then the contract. {Depot}

2. Multiplicity Of Rules, Regulations, Standards Imposed By Con tract

There should be an effort to reduce the burden on the contractor, to extent feasible, from imposing compliance with normal government regulations and related requirements, i.e., give the contractor maximum flexibility. (conflicting codes, regulations) {Depot}

3. Multiple Contract Omissions / Interferences

- Contract administration when more than one contract is performed at a time at the same location {Depot}

4. Government Propensity To Transfer Certain Liability Issues To The Contractor.

- Don't confuse risk to the government and the contractor with the liability issue.

- Rule: owner is LIABLE ! {Depot}

5. Increased Costs To The Government From Following The Policy Of Not Providing Government Facilities And Property, When Available, To On-Site Government Contractors.

- Increased cost associated with GFE/GFP. {Installation}

- This relates to the government policy of not providing facilities and property to support service contractors. {Depot}

- Liability of contractor for government furnished facilities which aren't safe and serviceable. {Installation}

6. Cost Growth Where Requirements Are Not Accurately Defined Before Award Of A Fixed Price Contract.

- This could also apply to cost type contracts. {Depot}

IX. Criteria/Candidates For PBSC

1. Mandatory:

#1 - SOW

#2 - REGULATIONS

#3 - POLICY

- Despite the intent to decrease the number of mandatory regulations, etc., There are still a considerable amount of regulations, etc., that are mandated for use on service contracts--this inhibits the contractor's ability to be creative, etc., and save tax dollars. Simply stated, if we are contracting-out a function that was previously performed in-house, action needs to be taken to eliminate the use of government regulations. {Installation}

2. Can't Attribute Savings To PBSC

3. NIB/NISH

- Has first rights before all others {Installation}

4. Government Infrastructure Remains While Services Are Contracted Out; Work Requirements Scaled Down And Savings Are Alleged.

5. Too Much Emphasis Re Ofpp Is The Dollar Savings

- OFPP has a boss who is OMB !!!!! {Installation}

6. If A Threshold Does Not Already Exist For The Use Of PBSC, One Should Be Considered. The Administrative Cost Should Be Considered.

7. Emphasize Use Of PBSC On Existing Contracts That Have Either Cost, Performance Or Schedule Problems.

- Where end result fails to satisfy the customer {Installation}

8. Caution: Be Careful In Trying To Combine Too Many Disparate Functions Into One Single PBSC Such Which Is Occurring Under The BOSS (Base Operating Supp ort Services) Contracts For A Specific Installation, Or As An Agencywide Contract.

A) Positive PBSC Criteria:

I. Items Normally Provided By Private Sector (Commercial)

II. Recurring Functions

- Stable requirement {Installation}
- Predicable requirement {Installation}

III. Precision Of The Requirement

IV. Consider using performance based contracting for those "service" requirements covered by the services contract act (See, FAR Part 22).

V. Requirement should be stable and/or predicta ble.

VI. All commercial activities identified by OMB Circular A-76 Supplemental handbook.

VII. Savings at same standards

VIII. Qualitative factors for measuring

- Work load factors (historical information) {Installation}

IX. Conduct cost-benefit analysis to determine whether potential cost savings will be achieved from PBSC.

B) Negative PBSC Criteria:

I. Complexity/uniqueness of requirement

II. Risk Government wants to take

- When dealing with jobs requiring precision, failure is catastrophic {Installation}

X. Procurement/Program Office Teaming

1. Stress The Use Of Integrated Process Teams During The Acquisition Strategy Planning Phase.

- Include the idea of "acquisition planning teams" and the use of "alpha contracting." {Depot}
- Must involve program people in development of examples of SOW and performance standards in OFPP materials. {Installation}
- Include the "end user" or customer in the planning process. {Depot}
- Senior management must be active participant. {Installation}

2. Consider The Use Of "Partnering" For All Procurements (I.E., Incorporate "Partnering" Clause Into The Solicitation).

3. Government Should Ensure Timely, Accurate, And Complete Responses To All Questions From Offerors.

4. Increased Use Of Draft Solicitations And Use Of Oral Presentations.

5. When Converting Some Or All Of An Existing Contract To PBSC, Include The Incumbent Contractor In The Process. Reformation Of The Contract.

6. Conduct A Pre-Solicitation Conference To Determine Contractor Interest And Concerns.

- A presolicitation conference is a great time to give contractor specific directions on your job, and as much information on the job. Also this will allow you to determine level of interest in the job by contractor, which will cut much confusion. {Installation}

XI. Critique

1. Do You Feel All The Issues Regarding Performed Based Service Contracting Were Covered In The Workshop? Please Comment.

A) Text Responses

Total Number Of Respondents (N): *5*

Number Of Responses To This Question (N): *4*

1. Yes, However, There Was A Lot Of Material To Cover And Additional Time Would Have Been More Productive To The Outcome.

2. Yes It Was Very Good

3. Very Likely That The Major Issues Were Identified. However, Some Sub-Issues May Not Have Been Surfaced And Discussed Because Of The Limited Size Of The Focus Group.

4. No, Because There Was Not Enough Time To Really Think Through All The Processes.

2. I Felt The Daily Objectives Were Met.

A) Ballot: Descriptions:
Sa-Strongly Agree A-Agree N-Neutral D-Disagree Sd-Strongly Disagree

B) Results Spread

Choices	***Count***
Sa(5)	*1*
A(4)	*4*
N(3)	*0*
D(2)	*0*
Sd(1)	*0*

Statistics	
Total	*21*
Mean	*A(4.20)*
Mode	*A*
High	*Sa*
Low	*A*
Std	*0.45*
N	*5*
N	*5*

3. What Went Well In The Workshop? Please Comment.

A) Text Responses

Total Number Of Respondents (N): *5*

Number Of Responses To This Question (N): *4*

1. Interaction And Anecdotal Of Materials Of Members

2. Good Iterface With Group

3. Discussion Of Issues. Coverage Of Agenda.

4. The Conversations, Idea Exchange. There Is A Wealth Of Experience Here Today, That Could Be Used More Fully.

4. What Would You Change About The Workshop? And How? Please Comment.

A) Text Responses

Total Number Of Respondents (N): 5

Number Of Responses To This Question (N): 3

1. More Time

2. No Changes To Suggest.

3. Add Another Day To Installations--There Are A Myriad Of Issues To Be Improved.

5. I Felt The Facilitators Kept Us On Track.

A) Ballot: Descriptions:
Sa-Strongly Agree A-Agree N-Neutral D-Disagree Sd-Strongly Disagree

B) Results Spread

Choices	***Count***
Sa(5)	*1*
A(4)	*3*
N(3)	*1*
D(2)	*0*
Sd(1)	*0*

Statistics	
Total	*20*
Mean	*A(4.00)*
Mode	*A*
High	*Sa*
Low	*N*
Std	*0.71*
N	*5*
N	*5*

6. The Use Of Electronic Meeting Systems Was Beneficial In Gathering Information And Reaching Consensus.

A) Ballot: Descriptions:
Sa-Strongly Agree A-Agree N-Neutral D-Disagree Sd-Strongly Disagree

B) Results Spread

Choices	***Count***
Sa(5)	*2*
A(4)	*2*
N(3)	*1*
D(2)	*0*
Sd(1)	*0*

Statistics

Total	*21*
Mean	*A(4.20)*
Mode	*??*
High	*Sa*
Low	*N*
Std	*0.84*
N	*5*
N	*5*

7. General Comments?

A) Text Responses

Total Number Of Respondents (N): 5
Number Of Responses To This Question (N): 3

1. More Time. We Hope The Results Of Our Workshop Are Considered And Implemented To The Extent It Benefits The Acquisition Process.

2. Unfortunately I Had To Miss This Morning, And Was Unable To Get The First Instructions, So I May Not Have Addresed Things In The Best Manner. Getting Folks To Go To Performance Service Contracting Has Been A Problem Since 1981, So It's Obvious That Typical Approaches Will Not Get People On Board. Need To Take A Radical Approach To Get People Turned-Around.

3. EMS Not Always Up To Par.